

STATE OF IOWA  
PROPERTY ASSESSMENT APPEAL BOARD

**Jeff Suntken,**  
Appellant,

**v.**

**Sioux City Board of Review,**  
Appellee.

**ORDER**

**Docket No. 13-107-0070**  
**Parcel No. 427875**

On December 3, 2013, the above-captioned appeal came on for telephone hearing before the Iowa Property Assessment Appeal Board. The appeal was conducted under Iowa Code section 441.37A(2)(a-b) and Iowa Administrative Code rules 701-71.21(1) et al. Appellant Jeff Suntken was self-represented. Attorney Jack Faith represented the Board of Review. The Appeal Board now having examined the entire record, heard the testimony, and being fully advised, finds:

***Findings of Fact***

Jeff Suntken is the owner of property located at 2023 Pierce Street, Sioux City, Iowa. The real estate was classified commercial on the January 1, 2013, assessment and valued at \$86,200, allocated as \$19,200 in land value and \$67,000 in improvement value. Suntken protested his assessment to the Sioux City Board of Review on the ground the property was assessed for more than authorized by law under Iowa Code section 441.37(1)(a)(2). He asserted the correct value was \$65,000. The Board of Review denied the protest. Suntken then appealed to this Board reasserting his claim.

The property record card indicates the subject is a four-unit apartment building. It is a two-story frame property built in 1919. It has 3538 square feet of above-grade living area and a partial basement. There is also an open porch and deck. The site is 0.157 acres.

Suntken submitted a multiple listing sheet (MLS) for fourteen properties to the Board of Review. He did not address all of these properties to this Board; rather, he submitted seven

comparable properties to this Board for consideration of his claim. The chart below provides a brief summary of Suntken's evidence.

Address	Units	Living Area	2013 Assessed Value	Sale Price	Sale Date	Sale Conditions
Subject	4	3538	\$86,200	N/A	N/A	N/A
2007 Pierce St	2	1950	\$31,300	\$31,000	Jan-12	Foreclosure
2011 Pierce St	2	1940	\$36,600	\$19,500	Dec-12	Bank Sale
1722 Nebraska St	4	2850	Unknown	\$50,000	Apr-13	Cash
1312 Grandview Blvd	4	2838	\$56,800	N/A	N/A	N/A
1409 Douglas	4	2710	\$61,000	N/A	N/A	Listed \$45,000 11/2013
512 10th Street	4	2024	\$51,900	N/A	N/A	N/A
1320 Grandview Blvd	4	3024	\$63,700	\$40,000	Aug-13	Contract

Suntken submitted an MLS report for the properties located at 1722 Nebraska Street and 1409 Douglas. He submitted a partial printout from the Sioux City Assessor's Beacon website for the remainder of his comparable properties.

2007 and 2011 Pierce Street were both duplex properties that we do not find similar to the subject's four-unit design. Further, the record indicates the properties sold as the result of foreclosure or bank sale and Suntken made no adjustment to account for the sales condition.

1722 Nebraska Street sold in April 2013 for \$50,000, according to the MLS sheet provided by Suntken. However, there is no information in the record regarding the conditions of the sale.

Suntken commented that both 1312 Grandview Boulevard and 512 10th Street had their 2013 assessments lowered from their 2012 assessments. We note both received rather large reductions of \$26,700 and \$34,300, respectively. Neither of these properties recently sold. Essentially, Suntken is pointing out the properties' assessed values are less than the subject property's assessed value. This assertion is more of an equity claim under section 441.37(1)(a)(1), which is not before this Board.

Suntken submitted an MLS of 1409 Douglas, which indicates the property is listed for sale. While listings typically help set the upper end of indicators of value, they are not as persuasive as closed sales that have been adjusted for differences.

Lastly, Suntken offered 1320 Grandview Boulevard as a comparable sale. He notes that it sold on contract because “the seller was unable to get cash.”

As a foreclosure, a bank sale, and a contract sale, the two properties on Pierce Street, as well as 1320 Grandview Boulevard are abnormal transactions; there is limited information in the record regarding the sale on 1722 Nebraska Street; and, none of the remaining properties located at 1312 Grandview Boulevard, 1409 Douglas, or 512 10th Street are recent sales. Further, Suntken did not adjust any of the comparable properties for differences between them and the subject property. For these reasons, we do not find these properties to be reliable in determining the fair market value of the subject property as of January 1, 2013.

Rochelle Lundy, a Realtor with Property Pro’s in Sioux City, with eighteen years’ experience, testified on behalf of Suntken. Lundy testified that she assists Suntken in finding properties to purchase with the intent of making a profit. She indicated the subject is located in the downtown area where it is difficult to get good renters and the renters they do get are “a little rough” on the property. She also explained that within the last year, there has been an increase in the renter pool because so many people are losing their homes, however she still considers the market to be declining.

Lundy stated she had looked over the data Suntken provided and based on it, believes the value on his property is high. However, Lundy did not provide any of her own evidence or an opinion of the fair market value for the subject property, as of January 1, 2013. For this reason, we find her testimony offers minimal relevance.

Sioux City Assessor Al Jordan testified for the Board of Review. In determining the fair market value of the subject property, Jordan explained his office considered all three approaches to value. He explained the subject property is a conversion and defined a conversion as “about a 100-year old house,” which has been converted to apartments. He further explained conversions typically

have had multiple modifications over the years to accommodate different configurations and extend the economic life.

Jordan explained the cost approach was inconclusive because of the multiple modifications that are typical to this to this property type. In his opinion, the resulting functional and economic obsolescence associated with the utility of conversions as well as the location of the properties results in inconsistent and unreliable cost estimates for this property type.

Regarding the sales comparison approach, Jordan testified the sales prices for conversions vary widely for many reasons. He explained one reason is due to the financial state of the buyers and sellers; as well as the fact there is no institutional financing available for these types of properties or, if there is, it is at a very high interest rate. Further, he has found the statistics show no correlation, or very loose correlation, between sales prices and size. This Board questioned Jordan about the comparison of the sales prices of the properties offered by Suntken, which seem to be less than the assessments, and how he reconciled this with the valuation process. Jordan explained that his office has looked at hundreds of multi-family sales, and there is no consistent unit of measurement. The properties are often in disrepair and the buyer refurbishes it to rent the units, but there are no permits. According to Jordan, this makes it impossible to figure out what sold; the motivations of the buyers and sellers; and lastly, because there is typically no market financing, there is no appraisal to consider.

Additionally, the properties vary in size, as well as in the number and type of units. Some properties may have a 300 square-foot two-bedroom unit, whereas another similar conversion may have a 1300 square-foot two-bedroom unit. Given the diversity of properties, it results in an inconsistent comparison on either a per-square-foot, or unit basis. For these reasons, Jordan's office does not rely on the sales comparison approach to value conversion properties like the subject.

Jordan asserts the best and most consistent indicator of value for this property type is the income approach. The income approach was based on a survey of income properties like the subject

that was completed in 2009, 2011, and 2013 of income and expenses then compared to sales prices. Income and expense questionnaires were sent to all multi-family properties; including Suntken who returned the questionnaire to the assessor's office with his property's information. The compiled results were used to arrive at the assessed valuations. Jordan explains there was very little difference between 2009 and 2013 regarding income and expenses with very little change in the market. We note, however, that this statement conflicts with 2009 to 2013 assessments of the subject property, which have increased steadily.

Jordan explained that Suntken's income was very similar to what they found in the market, and therefore, they used Suntken's actual income because it was considered market rent. Suntken's expenses were a little less than that normally seen in the market, and as a result, the market expenses were used in the income approach. A vacancy of 11% was used in the analysis to reflect that this property had a higher actual vacancy and rent loss than other properties. Therefore, a higher vacancy rate was used to recognize that there might be some problem with the occupancy of this property. The resulting net operating income (NOI) was \$11,840. We note the assessor's NOI is almost twice as much as the reported actual NOI of \$6003, and as such, we suggest the assessor's office may want to re-verify this particular property's valuation prior to the next assessment.

Jordan explained the development of the capitalization rate was based on available sales and the median capitalization rate was 9.37%, which he believed was reasonable. He testified the capitalization rate was high because of the nature of the properties and the inherent risk associated with the property type. The overall capitalization rate used in the income approach was 13.74%, which includes the effective tax rate.

$$\text{\$11,840 NOI} / 13.74\% \text{ capitalization rate} = \text{\$86,172 (Rounded \$86,200)}$$

Jordan testified this was the same method of valuation used on all the conversions in Sioux City.

### ***Conclusion of Law***

The Appeal Board applied the following law.

The Appeal Board has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A (2011). This Board is an agency and the provisions of the Administrative Procedure Act apply to it. Iowa Code § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). The Appeal Board determines anew all questions arising before the Board of Review related to the liability of the property to assessment or the assessed amount. § 441.37A(3)(a). The Appeal Board considers only those grounds presented to or considered by the Board of Review. § 441.37A(1)(b). However, new or additional evidence may be introduced. *Id.* The Appeal Board considers the record as a whole and all of the evidence regardless of who introduced it. § 441.37A(3)(a); *see also Hy-vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption that the assessed value is correct. § 441.37A(3)(a).

In Iowa, property is to be valued at its actual value. Iowa Code § 441.21(1)(a). Actual value is the property's fair and reasonable market value. § 441.21(1)(b). "Market value" essentially is defined as the value established in an arm's-length sale of the property. *Id.* Sale prices of the property or comparable properties in normal transactions are to be considered in arriving at market value. *Id.* Conversely, a sales price in an abnormal transaction is not to be taken into account unless the distorting factors can be clearly accounted for. *Id.* If sales are not available, "other factors" may be considered in arriving at market value, including the property's productive and earning capacity. § 441.21(2). The assessed value of the property shall be one hundred percent of its actual value. § 441.21(1)(a).

In an appeal alleging the property is assessed for more than the value authorized by law under Iowa Code section 441.37(1)(a)(2), the taxpayer must show: 1) the assessment is excessive and 2) the subject property's correct value. *Boekeloo v. Bd. of Review of the City of Clinton*, 529 N.W.2d 275, 277 (Iowa 1995).

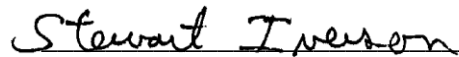
Suntken submitted seven comparable properties for consideration. The two properties on Pierce Street were foreclosure or bank sales and 1320 Grandview Boulevard sold on contract, yet none of these properties were adjusted for these factors. There is limited information in the record regarding the sale at 1722 Nebraska Street and, none of the remaining properties located at 1312 Grandview Boulevard, 1409 Douglas, or 512 10th Street are recent sales. Lastly, Suntken did not adjust any of the sales for differences between them and the subject property, and he did not conclude a market value opinion as of January 1, 2013. For these reasons, we find Suntken failed to provide sufficient evidence to support a claim that his property was over-assessed.

THE APPEAL BOARD ORDERS the assessment of the Jeff Suntken's property located at 2023 Pierce Street, Sioux City, Iowa, as set by the Sioux City Board of Review is affirmed.

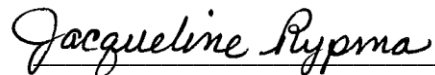
Dated this 13th day of January, 2014.



Karen Oberman, Presiding Officer



Stewart Iverson, Board Chair



Jacqueline Rypma, Board Member

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